



Shop Till You Drop!

Description

Since the IPO (initial public offering) in 2015, shares of **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) have held up quite well. Trading between \$30 and \$60 for close to two years, the fate of the company hasn't been as morbid as many other technology companies that have come before it.

Many investors over the age of 35 will remember the 1999/2000 technology bubble which brought euphoria from the markets to main street. Even worse, however, was the way the popping of the bubble negatively affected people.

Being an important player in the technology sector, shares of Shopify have had a fantastic start to the year. Since January, shares are up nearly 50%, and the momentum seems to be continuing strongly. The company, which offers merchants the ability to run their own e-commerce platforms and accept payments, is right in the middle of where every investor should want to be.

Imagine being the doorman at the only party in town!

For new website start-ups, the ability to sell a product on the website and get paid is incredibly important. Enter Shopify, which not only offers the ability to accept payments, but does much more by assisting with file storage, e-mail and sales support. For creative people thinking about the nuts and bolts of execution, the company offers a solution which frees up more time for entrepreneurs.

The great story is the revenue growth experienced by the company over the past number of years. From fiscal 2013 to fiscal 2016, the company's revenues increased from \$50.25 million to now over \$389 million. The total CAGR (compounded annual growth rate) is nothing short of 97.8%. It's almost doubled every single year!

Working our way down the income statement, the good news continues. The COGS (cost of goods sold) increased from \$42.22 in fiscal 2014 (fiscal 2013 was not fairly representative, so this number was not used) to \$179.84 in fiscal 2016. The CAGR is approximately 106%.

Although the COGS have increased at a faster rate than revenues, the result is still very clear: sales efforts are working, and the marketing efforts are clearly bringing in new revenues.

Although the company is not yet profitable, the truth of the matter is, growth investors have a lot to be excited about over the long term. The cost of acquiring and retaining each new customer typically declines over time as people (especially busy entrepreneurs) enjoy familiarity. This is in addition to the research and development expenses, which will eventually decline to a “normal” amount as the steering wheel is both invented and refined. Profitability will come. The only question is when will profitability arrive.

As most investors are looking for something exciting with positive upside potential, shares of Shopify may just fit the bill. But because it's never showed profitability, investors should be cautious on this one.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing
2. Tech Stocks

Tags

1. Editor's Choice

Date

2025/08/26

Date Created

2017/03/15

Author

ryangoldsman

default watermark